The Honorable Marsha J. Pechman

UNITED STATES DISTRICT COURT WESTERN DISTRICT
OF WASHINGTON AT SEATTLE

BEACON PLUMBING & MECHANICAL, INC., Plaintiff, v. SPOSARI INC. d/b/a MR. ROOTER PLUMBING SERVICES, MR. ROOTER LLC, THE DWYER GROUP, INC., THE DWYER GROUP LLC, and JOHN DOES 1-100, Defendants.	No. 2:15-cv-01613 PLAINTIFF'S RESPONSE TO DEFENDANTS' PARTIAL MOTION TO DISMISS NOTE ON MOTION CALENDAR: DECEMBER 18, 2015

INTRODUCTION

Defendants seek to dismiss four of the eight claims asserted by Plaintiff in its Amended Complaint ("Complaint"). Dkt. #2. Defendants request dismissal of Plaintiff's federal trademark dilution claim, federal false advertising claim, Anticybersquatting Consumer Protection Act claim, and Washington Consumer Protection Act claim.

Plaintiff agrees to the dismissal of its federal trademark dilution claim. However, the remainder of Defendants' motion should be denied. In the alternative, Plaintiff requests leave to amend its Complaint to address any deficiencies.

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ARGUMENT

I. Plaintiff Concedes That It Cannot State a Claim for Federal Trademark Dilution Under 15 U.S.C. § 1125(c).

Plaintiff agrees with Defendants that its mark is not recognized by the general consuming public of the United States. Plaintiff therefore agrees to the dismissal of its federal trademark dilution claim under 15 U.S.C. § 1125(c).

II. Plaintiff Has Adequately Stated a Claim for Federal False Advertising Under 15 U.S.C. § 1125(a).

To state a claim for federal false advertising under 15 U.S.C. § 1125(a), a plaintiff must allege (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products. *Skydive Ariz., Inc. v. Quattrocchi*, 673 F.3d 1105, 1111 (9th Cir. 2012).

Defendants do not argue that Plaintiff has failed to allege any of these elements under Rule 12(b)(6). Instead, Defendants contend that Plaintiff's "false advertising claim sounds in fraud" and Plaintiff has not "satisf[ied] the heightened pleading requirements of Rule 9(b)." Defs.' Mot. at 6. But "[t]he Ninth Circuit Court of Appeals has yet to decide whether [Rule 9(b)'s heightened pleading] requirements apply to false advertising claims specifically under the Lanham Act." *A.H. Lundberg Assocs. v. TSI, Inc.*, No. C14-1160JLR, 2014 U.S. Dist. LEXIS 149603, at *15-16 (W.D. Wash. Oct. 21, 2014). If Rule 9(b) does not apply, then Plaintiff's federal false advertising claim survives because Defendants have implicitly acknowledged that the claim is well-pled under Rule 12(b)(6).

But Plaintiff's claim survives even if Rule 9(b) applies. Defendants argue that Plaintiff

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has failed to assert any facts to show that the "false advertising" was "material, *i.e.* that the advertisement was likely to influence customers' purchasing decision." Defs.' Mot. at 6-7. The advertisement at issue displayed the phrase "Call 24/7 Beacon Plumbing." Dkt. #2 at 2. The advertisement also displayed the URL "beacon.callnow-plumber.com." *Id.* "Beacon" is the only business name that appears anywhere in the advertisement. A customer would have no reason to click on the advertisement other than his or her belief that they were accessing Plaintiff's services. Defendants' deceptive advertising was patently material.

Further, the literal falsity of the advertisement (*i.e.*, the repeated use of the word "Beacon" on an advertisement that was in fact for Defendants' services) "leads to a presumption of consumer deception and materiality in a false advertisement case." *Soaring Helmet Corp. v. Nanal, Inc.*, No. C09-0789JLR, 2011 U.S. Dist. LEXIS 262, at *17-18 (W.D. Wash. Jan. 3, 2011) (citing *U-Haul Int'l, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1040-41 (9th Cir. 1986); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1146 (9th Cir. 1997)). At this stage of the litigation, Plaintiff has adequately pled the materiality element, even under Rule 9(b)'s heightened standards.

Next, Defendants argue that the materiality element cannot be adequately pled even with additional amendments to Plaintiff's Complaint because any consumer confusion would evaporate once the customer reached the "Mr. Rooter Plumbing" website after clicking Defendants' advertisement. Defs.' Mot. at 7; Dkt. #2 at 7 (screenshot of website). According to Defendants, a customer who purchased Defendants' services would do so "know[ing] that Plaintiff's service was distinct from Defendants' service." Defs.' Mot. at 7. But this argument ignores the initial interest confusion that is actionable under the Lanham Act. *See, e.g.*, *Playboy Enters. v. Netscape Communs. Corp.*, 354 F.3d 1020, 1025-26 (9th Cir. 2004) ("Some consumers, initially seeking PEI's sites, may initially believe that unlabeled banner advertisements are links to PEI's sites or to sites affiliated with PEI. Once they follow the instructions to 'click here,' and they access the site, they may well realize that they are not at a PEI-sponsored site. However, they may be perfectly happy to remain on the competitor's site,

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just as the *Brookfield* court surmised that some searchers initially seeking Brookfield's site would happily remain on West Coast's site. The Internet user will have reached the site because of defendants' use of PEI's mark. Such use is actionable.") Plaintiff pled this theory in its Complaint. Dkt. #2 at ¶32. To the extent that initial interest confusion is not well-pled in its Complaint, Plaintiff requests leave to amend. *See* Section V, *infra*.

In sum, Plaintiff's federal false advertising claim survives the pleading stage regardless of whether Rule 9(b) applies. Plaintiff pled the necessary facts to give rise to a presumption of deception and materiality and alleged initial interest confusion. Accordingly, this Court should decline Defendants' request to dismiss the federal false advertising claim.

III. Plaintiff Has Adequately Stated a Claim Under the Anticybersquatting Consumer Protection Act. In the Alternative, this Court Should Reserve Ruling Until Discovery is Conducted.

Relying on an out-of-circuit district court case, Defendants argue that Plaintiff cannot state a claim under the Anticybersquatting Consumer Protection Act ("ACPA") 15 U.S.C. § 1125(d) because this case involves a third-level domain. Defs.' Mot. at 7-8 (citing *GoForIt Entm't, LLC v. DigiMedia.com L.P.*, 750 F. Supp. 2d 712, 723 (N.D. Tex. 2010)). Defendants argue that third-level domains are not "registered" within 15 U.S.C. §1127's definition of "domain name." Whether a third-level domain qualifies as a "domain name" under the ACPA appears to be a matter of first impression in this circuit.

Defendants' assertion that third-level domains are never registered appears questionable. *See, e.g., Schreiber v. Dunabin*, 938 F. Supp. 2d 587, 592 (E.D. Va. 2013) (referring to "Defendant CentralNic" as "an accredited ICANN domain name registrar and acts as a domain name registry operator of *third-level domains*") (emphasis added). This Court should reserve ruling on Plaintiff's ACPA claim until discovery is conducted to determine whether Defendants registered the "beacon" third-level domain in this case.

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IV. Plaintiff Has Adequately Stated a Claim Under the Washington Consumer Protection Act

Lastly, Defendants argue that Plaintiff has failed to adequately allege the "public interest" element of its Washington Consumer Protection Act ("WCPA") claim. Defendants contend that "Plaintiff's alleged injury is necessarily unique to Plaintiff" and that there are no "allegations that additional plaintiffs will be injured in the same fashion." Defs.' Mot. at 9. This argument fails.

Although this matter arises out of a private dispute, the public interest element is still be satisfied. "Factors indicating public interest in th[e] context [of a private dispute] include: (1) Were the alleged acts committed in the course of defendant's business? (2) Did defendant advertise to the public in general? (3) Did defendant actively solicit this particular plaintiff, indicating potential solicitation of others? (4) Did plaintiff and defendant occupy unequal bargaining positions?" *Hangman Ridge Training Stables v. Safeco Title Ins. Co.*, 105 Wn.2d 778, 790-91 (1986); *Evergreen Moneysource Mortg. Co. v. Shannon*, 167 Wn. App. 242, 261 (2012). "[N]ot one of these factors is dispositive, nor is it necessary that all be present." *Hangman Ridge*, 105 Wn.2d at 791. Clearly the first two factors are present in this case. Defendants' unlawful conduct was performed in the course of commerce and targeted at the public. Dkt. #2 at 12-13. As such, the public interest element is satisfied by the *Hangman Ridge* factors.

Moreover, Washington courts have held that trademark infringement satisfied the public interest element of a WCPA claim. In *Seattle Endeavors v. Mastro*, 123 Wn.2d 339 (1994), the Washington Supreme Court clarified that "'the typical trade name infringement case'" involves "'acts'" that will meet the public-interest standard. *Id.* at 350 (quoting *Nordstrom, Inc. v. Tampourlos*, 107 Wn.2d 735, 742-43, 733 P.2d 208 (1987)). Only the "inadvertent infringement of a weak mark is not sufficient to qualify as a public interest." *Id.* at 350. This exception does not apply here, as Plaintiff has alleged deliberate infringement of a mark used by "one of the area's most recognizable businesses." Dkt. #2 at ¶ 20. Accordingly, Plaintiff's

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allegations of Defendants' trademark infringement fulfills the public interest element of the WCPA claim.

V. Plaintiff Should Be Given Leave to Amend Its Federal False Advertising Claim and/or WCPA Claim

In the event this Court grants Defendants' motion as to the federal false advertising claim or WCPA claim, Plaintiff requests leave to amend its Complaint. "When the court grants a motion to dismiss, it must also decide whether to grant leave to amend." *A.H. Lundberg*, 2014 U.S. Dist. LEXIS 149603, at *19-20. "Ordinarily, leave to amend a complaint should be freely given following an order of dismissal." *Id.* at *20 (citing Fed. R. Civ. P. 15(a)(2)). "Generally, leave to amend is only denied when it is clear that the deficiencies of the complaint cannot be cured by amendment." *Id.*

Plaintiff has amended its Complaint once to remove reference to 28 U.S.C. § 1388 as a basis for subject matter jurisdiction because Plaintiff's mark is not registered with the United States Patent and Trademark Office. *Compare* Dkt. #1 at ¶8 *with* Dkt. #2 at ¶8. This amendment occurred at the very beginning of this case before Defendants were even served. Further, there has been no discovery in this case. Defendants would not be prejudiced by any further amendments to Plaintiff's Complaint.

CONCLUSION

Plaintiff agrees only to the dismissal of its federal trademark infringement claim. The remainder of Defendants' motion should be denied. In the alternative, Plaintiff should be given leave to amend its Complaint.

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RESPECTFULLY SUBMITTED THIS 14th DAY OF DECEMBER, 2015.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies under penalty of perjury under the laws of the United States, that on the date noted below, a true and correct copy of the foregoing was delivered and/or transmitted in the manner(s) noted below:

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DATED this 14th day of December, 2015.

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